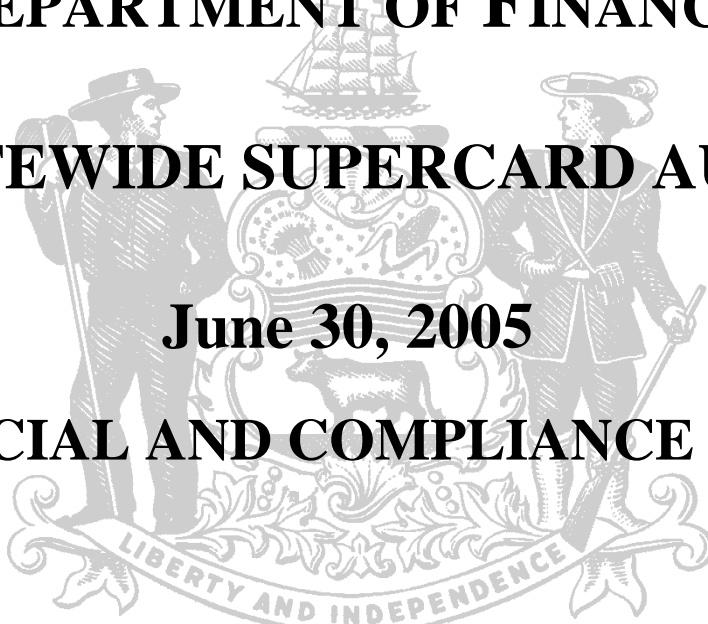


**STATE OF DELAWARE**  
**OFFICE OF**  
**AUDITOR OF ACCOUNTS**

**DEPARTMENT OF FINANCE**  
**STATEWIDE SUPERCARD AUDIT**  
**June 30, 2005**  
**FINANCIAL AND COMPLIANCE AUDIT**



**R. THOMAS WAGNER, JR., CGFM, CFE**  
**AUDITOR OF ACCOUNTS**

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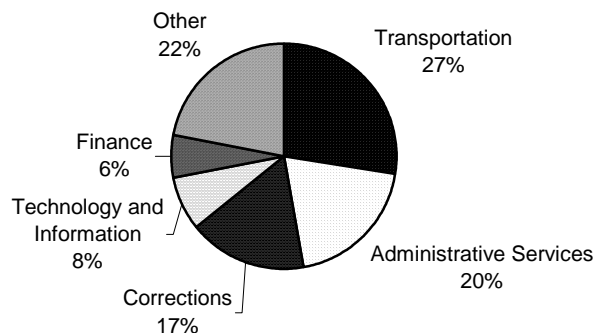
# Executive Summary

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## **BACKGROUND**

The State of Delaware, through the Department of Administrative Services, has contracted with PNC Bank to provide state agencies and school districts with a VISA card program for procurement and/or travel purchases. The Department of Finance, Division of Accounting is responsible for the oversight and management of the SuperCard. The program was implemented on October 1, 1999. Twenty-one of the 22 departments identified in the State's Budget and Accounting Manual currently are involved in the SuperCard Program and over 3900 state employees have SuperCards which obligate the state to pay for their purchases. The average total State monthly spending through SuperCards is approximately \$6.7M with an average of 10,048 transactions processed per month.

**Summary of Monthly SuperCard Activity By Department (January 2005)**



## **AUDIT OBSERVATIONS**

Internal control weaknesses exist at both the oversight level and within the individual departments. Brief summaries of these weaknesses are as follows:

- Policies and procedures are not updated to reflect the current operating processes of the SuperCard program and do not include:
  - Guidelines for reviewing spending limits and limiting the State's outstanding potential liability.
  - 1099 process for including required SuperCard vendors.

In addition, stricter criteria should be included in the policies and procedures regarding who should be issued a SuperCard.

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# Executive Summary

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- Spending limits assigned to employees are too high.
  - 88.5% of employee's (state-wide) issued a SuperCard use less than 10% of their assigned credit limit each month.
  - As of January 1, 2005 the total available profile limit to SuperCard holders was approximately \$49,800,000 and the average monthly spending of SuperCard holders was \$6,700,000. Leaving \$44,100,000 of assigned profile limit unspent each month. The State's maximum credit limit is \$20,000,000, \$4,000,000 of which is limited strictly for specific vendor ACI payments. The maximum risk to the State each month is \$16,000,000. In addition, the State is insured up to \$100,000 per employee if the card is misused by the employee and if the employee is notified of termination within 75 days of the improper item(s) being billed.
  - Neither the Division of Accounting nor the departments review transaction history to determine the appropriateness of profile limits assigned to cardholders.
- Not all cardholders issued a SuperCard have a need for the credit card. As of January 1, 2005, 888 cardholders had no activity on their SuperCard for calendar year 2004.
- Department monthly reconciliations of SuperCard transactions are not always completed in a timely manner and there is not always evidence of supervisory review and approval of the monthly reconciliations.
- Payments to the Division of Accounting for SuperCard purchases are not always timely and the Division of Accounting did not reconcile the department SuperCard payments on a monthly basis.
- Transactions were not always evidenced by supporting documentation or supervisory approval of the purchase. Of 1285 transactions reviewed:
  - 110 valued at \$60,166 did not have supporting documentation.
  - 488 valued at \$392,520 did not have evidence of supervisor approval
- Cash advances are used at some departments throughout the State. Of the \$185,000 cash advances in calendar year 2004 approximately \$4,000 of known misuse has occurred.
- The Department of Administrative Services did not always comply with State procurement law when utilizing the SuperCard:
  - 22 purchase orders were dated after the purchase of the goods.
  - 20 purchases that should have utilized vendor contracts did not utilize them.
  - 80 purchases were not paid within 30 days of the receipt of the invoice.

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# Executive Summary

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## **AUDIT CONCLUSIONS**

Except for the Department of Administrative Services, department's reviewed complied with the State's procurement law when utilizing the SuperCard payment method. The State has internal control weaknesses at the oversight level and the department level that result in the State not safeguarding its assets.

Employees assigned SuperCards do not always have a need for the SuperCard to perform their necessary job responsibilities. Spending limits are set too high to safeguard the State's funds.

## **AUDITEE RESPONSE**

The Division of Accounting (DOA) is proud of the highly successful SuperCard Program which has had substantial growth and is used as a model by PNC Bank and Works Operating Company (Payment Manager Software).

We recognize there will always be opportunities for internal control improvements. DOA will take action to improve internal controls at the oversight level in accordance with recommendations, where appropriate, and provide guidance on assignment of SuperCards and spending limits through revisions to the State Budget and Accounting Manual.

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# Audit Authority

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Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to perform post audits of all the financial transactions of all State agencies. The law requires that the audits be made in conformity with generally accepted auditing principles and practices. Such principles and practices are established by two standard setting bodies: the American Institute of Certified Public Accountants, which has issued generally accepted auditing standards; and the U.S. General Accounting Office, which has issued generally accepted government auditing standards.

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# Background

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In Delaware, the Department of Finance (Department) is comprised of nearly 300 employees and three agencies: Division of Accounting, Division of Revenue, and the State Lottery Office. The mission of the Department is to provide leadership in securing, creating, allocating and managing financial resources critical to the delivery of governmental services and promotion of Delaware's economic health. A key objective for the Department is to maximize effectiveness and efficiency by improving the State of Delaware's (State) fiscal operations through the use of appropriate financial and accounting controls. During fiscal year 2004, the Department helped the State attain a reaffirmation of Triple A Bond ratings from all three Wall Street rating agencies, securing the lowest interest costs for debt issuance in over 25 years.

The Division of Accounting (DOA) employs 12% of the Department's employees. The Division is charged with providing expert financial and technical accounting services for the State and providing reliable financial information to the public. In fulfillment of its mission, the Division's on-going initiatives have increased the efficiency of the State's financial processes and continue to enhance the availability of information to its customers. The Division is committed to reaching these goals through the application of technology. The Division continuously works to eliminate obsolete, paper-based processes in favor of more efficient electronic alternatives.

The State of Delaware, through the Department of Administrative Services, has contracted with PNC Bank to provide state agencies and school districts with a VISA card program for procurement and/or travel purchases. The Department of Finance, Division of Accounting is responsible for the oversight and management of the SuperCard Program. As such, the DOA maintains the Works Procisa Active Card Control (ACC) Enhancement on behalf of the State. The ACC Enhancement is designed to enable the State to establish a database of card activity limits and to maintain and change those limits on a permanent or per transaction basis and to obtain other related services on a web site hosted and controlled by Works. The program is called the SuperCard Program: one card with purchasing and/or travel options, on the same card. The program was implemented on October 1, 1999. Twenty-one of the 22 departments identified in the State's Budget and Accounting Manual currently are involved in the SuperCard Program and over 3900 state employees have SuperCards which obligate the state to pay for their purchases. The average total State monthly spending through SuperCards is approximately \$6.7M with an average of 10,048 transactions processed per month.

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# Objectives, Scope, Methodology and Conclusions

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## **OBJECTIVES**

There were two objectives of the SuperCard Performance Audit:

*Determine if the State has adequate controls over SuperCard use to provide assurance of compliance with State procurement law and to safeguard the State's assets and;*

*Determine if SuperCards assigned to State employees are necessary to perform required job responsibilities and that there are appropriate transaction and monthly spending limits implemented to safeguard the State's assets.*

## **SCOPE**

The scope of the audit included centralized oversight activities at the DOA and decentralized activities at the following agencies and departments throughout the State:

<b>Department</b>	<b>Division</b>	<b>Section</b>
Department of Technology and Information	Office of the Chief Operating Officer	Business Office
Department of Administrative Services	Office of the Secretary Support Operations	Administration Printing & Publishing Fleet Services
	Facilities Management	Facilities Management
Department of Health and Social Services	Administration Medical Examiner Support Services Social Services	Management Services Medical Examiner Community Health Social Services
	Child Mental Health  Family Services	Managed Care Organization Prevention/Early Intervention
Department of Natural Resources and Environmental Control	Fish and Wildlife Fish and Wildlife Parks and Recreation Parks and Recreation Parks and Recreation	Wildlife/Fisheries Mosquito Control Management & Support Operations & Maintenance Preservation & Development
	Georgetown Dover	Owens Campus Terry Campus
Department of Education	Seaford School District East Side Charter School	Seaford School District East Side Charter School

## **METHODOLOGY**

We conducted this audit in accordance with generally accepted government auditing standards. Our procedures consisted of:



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# Objectives, Scope, Methodology and Conclusions

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- Reviewing policies and procedures
- Interviewing agency personnel
- Identifying SuperCard internal control strengths and weaknesses
- Developing and testing identified internal control strengths
- Reviewing transactions
- Analyzing spending limits

## **CONCLUSIONS**

We evaluated the DOA's and department/divisions/sections system of internal controls relative to the SuperCard Program to determine if internal controls were adequately designed and implemented to provide reasonable assurance that control objectives were met. We found that control objectives were partially met.

*The State has adequate controls over SuperCard use to provide assurance of compliance with State procurement law and to safeguard the State's assets.*

Except for the Department of Administrative Services, all transactions tested were purchased in accordance with State procurement law. However, the State does not have adequate internal controls in place to safeguard the State's assets. A summary of significant internal control weaknesses are as follows:

- Policies and procedures are not updated to reflect the current operating processes of the SuperCard program and do not include:
  - Criteria regarding who should be issued a SuperCard.
  - Guidelines for reviewing spending limits and limiting the State's outstanding potential liability.
  - 1099 process for including required SuperCard vendors
- Monthly reconciliations of SuperCard transactions are not always completed in a timely manner and there is not always evidence of supervisory review and approval of the monthly reconciliations.
- Payments to the Division of Accounting for SuperCard purchases are not always timely and the Division of Accounting does not have a process to reconcile the department SuperCard payments on a monthly basis.
- Transactions were not always evidenced by supporting documentation or supervisory approval of the purchase. Of 1285 transactions reviewed:
  - 110 valued at \$60,166 did not have supporting documentation.
  - 489 valued at \$392,520 did not have evidence of supervisor approval

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# Objectives, Scope, Methodology and Conclusions

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- Cash advances are used at some departments throughout the State. Of the \$185,000 cash advances in calendar year 2004 approximately \$4,000 of known misuse has occurred.

*SuperCards assigned to State employees are necessary to perform required job responsibilities and that there are appropriate transaction and monthly spending limits implemented to safeguard the State's assets.*

Not all employees provided with a SuperCard are required to be issued a SuperCard based on their job responsibilities and an analysis of spending activity. As of January 1, 2005, 888 cardholders had no activity on their SuperCard for calendar year 2004.

Monthly profile limits assigned to virtually all State employees are too high to safeguard the State's assets.

- 88.5% of employee's (state-wide) issued a SuperCard use less than 10% of their assigned profile limit each month.
- As of January 1, 2005 the total available profile limit to SuperCard holders was approximately \$49,800,000 and the average monthly spending of SuperCard holders was \$6,700,000. Leaving \$44,100,000 of assigned profile limit unspent each month.
- Neither the Division of Accounting nor the departments review transaction history to determine the appropriateness of profile limits assigned to cardholders.

Because the State is liable for SuperCards, this results in substantial risk to safeguarding the State's funds.

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# Findings and Recommendations

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## ***COMPLIANCE WITH LAWS AND CONTRACTS***

### ***Finding #1***

The DOA is responsible for the oversight and administration of the SuperCard program. The departments/divisions/sections are responsible for authorizing the issuance of the card to an employee. PNC bank delivers the cards to the DOA, who then distributes them to the departments/divisions/sections.

29 Del. Code §6505 (c)(1) states that, “contract credit cards authorized by the Secretary of Finance and distributed by the Division of Support Services to state employees may be used for duly authorized travel expenses and small purchases made by state agencies and school districts pursuant to policies and procedures as established by the Secretary of Finance...”

This current practice results in non compliance with the Del. C. Title 29, Section 6505 (c)(1).

### ***Recommendation #1***

Update 29 Del. Code §6505 (c)(1) to reflect the authorization of SuperCards by the agencies and the issuance of SuperCards by the DOA.

### ***Auditee Response #1***

The following change to 29 Del. Code §6505 (c)(1) will be submitted for consideration by the Legislature as part of the Legislative process.

Amend 29 Del. C. § 6505 (c) (1) by deleting “by the Division of Support Services” and by deleting “small”.

### ***Finding #2***

The State’s Comprehensive Annual Financial Report (CAFR) was not delivered to PNC within 105 days of the fiscal year ended 2004 and no extension was requested. The PNC SuperCard contract requires the State’s CAFR to be provided to PNC within 105 days of the fiscal year end. Noncompliance with the SuperCard contract is caused by the CAFR not being completed until 150 – 180 days after year-end.

### ***Recommendation #2***

Amend the SuperCard contract with PNC to reflect a more reasonable date in which to provide PNC the CAFR.

### ***Auditee Response #2***

Exhibit A to the Fourth Amendment to the VISA Purchasing Card Agreement dated May 27, 2005 amended the original agreement as follows:

The reference in the first sentence of the third paragraph of Paragraph 10 of the PCard Agreement to the phrase “on hundred and five (105) days” is hereby deleted and the phrase “one hundred and eighty (180) days” is substituted therefore.”

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# Findings and Recommendations

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## ***POLICIES AND PROCEDURES***

### ***Finding #3***

The State Budget and Accounting Manual Chapter XIV, SuperCard Purchase/Travel Program, has not been updated since May 5, 2000. The following is a summary of procedures that have changed since May 5, 2000:

- Submission of the SuperCard application to DOA
- Reference to InfoSpan (PNC reporting package)
- SuperCard payment procedures (current procedures are documented in an Accounting Memorandum)
- Maximum state-wide total spending limit
- Deactivation of inactive SuperCards

In addition, several Accounting Memorandums have been issued since May 5, 2000 and are not included in the Budget and Accounting Manual. As a result, the Budget and Accounting Manual does not reflect the current operating procedures of the SuperCard program.

The Budget and Accounting Manual does not provide criteria for the departments to follow regarding who should receive a credit card. Nor does it address guidelines for the departments to follow regarding setting and updating spending limits.

The Budget and Accounting Manual Chapter II, Internal Control, states, “a well designed system of controls must include written policies and procedures to ensure that each control objective is met.” *Internal Control-Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines control activities as policies and procedures that help ensure that management’s directives are carried out. Policies and procedures must be up-to-date to ensure management’s control objectives are met.

### ***Recommendation #3***

Update the State Budget and Accounting Manual Chapter XIV, SuperCard Purchase/Travel Program to reflect the current application approval and card deactivation procedures, the use of the PNC Works Software, the IV payment procedures, and the current maximum statewide total spending limits. In addition, all Accounting Memorandums affecting the SuperCard program should be incorporated into this section of the Budget and Accounting Manual. Include criteria for who should receive a SuperCard in the Budget and Accounting Manual as well as guidelines that address the setting and updating of monthly spending limits. The Budget and Accounting Manual is an on-line resource tool for all departments and DOA should update it on a regular basis to ensure departments are provided with the most current requirements.

### ***Auditee Response #3***

1. The Office of Management and Budget (OMB) and the Division of Accounting are in the process of updating the State Budget and Accounting Manual. Chapter XIV, SuperCard Purchase/Travel Program, will be updated by December 31, 2005.

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# Findings and Recommendations

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2. The revised Chapter XIV, SuperCard Purchase/Travel Program will reflect:
  - a. the current application approval and card deactivation procedures,
  - b. the use of the PNC/Works Payment Manager Software,
  - c. the IV payment procedures,
  - d. the current maximum statewide total spending limits,
  - e. criteria for who should receive a SuperCard and
  - f. guidelines that address the setting and updating of monthly profile limits.
3. The State Budget and Accounting Manual will be updated on a regular basis to ensure organizations are provided with the most current requirements.

## ***Finding #4***

The DOA did not formally review the SuperCard internal control policies and procedures that are required to be submitted by the department/division/section prior to participation in the SuperCard program. In seven of the eight departments, the SuperCard internal control policies and procedures reviewed did not contain all of the elements detailed in Exhibit I of State Budget and Accounting Manual Chapter XIV, SuperCard Purchase/Travel Program. Examples of items not addressed in department/division/section's SuperCard policies and procedures include:

- Reporting and billing structure
- Commodity blocking and spending limits
- Reconciliation of accounts
- Cardholder activity

State Budget and Accounting Manual Chapter XIV, SuperCard Purchase/Travel Program Section B states, "once the DOA has received and reviewed the requisite internal control procedures, applications for that agency/school district will be processed." Exhibit I states, "state agencies and school districts' internal controls must address the following topics in their written internal controls procedures." The topics in Exhibit I include; reporting and billing structure, monitoring of participants, commodity blocking and spending limits, reconciliation of accounts, cardholder activity, and format of internal control procedures.

## ***Recommendation #4***

DOA should formally review department/division/section SuperCard internal control policies and procedures to ensure compliance with the Budget and Accounting Manual. Deficiencies in procedures should be addressed with the department/division/section and appropriate changes should be made and resubmitted to DOA for final approval. DOA should complete this review after the implementation of Recommendation #3 to ensure all department/division/sections have incorporated the appropriate Budget and Accounting Manual changes into its internal policies and procedures. DOA may consider developing a checklist that incorporates required internal control elements and completing this checklist for each department/division/sections SuperCard internal control policies and procedures. This checklist should be signed and dated by the reviewer documenting the formal review process.

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# Findings and Recommendations

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## ***Auditee Response #4***

1. PNC Bank and Works Operating Company have released a new version of their purchase card management software, Payment Manager. DOA and State organizations will be implementing the new version on October 15, 2005. A comprehensive training program will be undertaken to prepare for this upgrade. Follow-up training/review sessions between DOA and State organizations will be conducted on an on-going basis.
2. The Division of Accounting is in the process of reclassifying two vacant positions to more proactively address internal control issues within the division and other state organizations. Approximately 25% of each person's time will be dedicated to the SuperCard program. Responsibilities will include performing internal control reviews of the SuperCard program, developing guidelines to strengthen internal controls and providing assistance to state organizations in the development and implementation of effective controls.
3. After the implementation of Auditee Response #3, organizations will be required to submit revised SuperCard internal control policies and procedures by June 30, 2006. This date was selected due to Item 1 above. DOA will review all new and revised organizations' internal control submissions to ensure they have incorporated the appropriate SuperCard Purchase/Travel Program Policy and Procedures changes. Deficiencies in procedures will be addressed with the department/division/section and appropriate changes will be made and resubmitted to DOA for final approval.
4. A checklist will be developed that incorporates required internal control elements. This checklist will require signature and date by the reviewer documenting the formal review process.

## ***Finding #5***

DOA has not updated written policies and procedures for issuing 1099's since the implementation of the SuperCard program. The Budget and Accounting Manual Chapter II, Internal Control, states, "a well designed system of controls must include written policies and procedures to ensure that each control objective is met." Lack of updated policies and procedures for the issuance of 1099 may result in vendors requiring a 1099 not receiving a 1099 or receiving an inaccurate 1099.

## ***Recommendation #5***

DOA in conjunction with the Department of Technology and Information update written policies and procedures regarding the issuance of 1099's. The updated policies and procedures should include vendor payments with the SuperCard to ensure all vendors receive accurate 1099's.

## ***Auditee Response #5***

DOA will update written policies and procedures regarding the issuance of 1099's by June 30, 2006. The updated policies and procedures will address vendor payments with the SuperCard to ensure all vendors receive accurate 1099's.

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# Findings and Recommendations

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## ***SPENDING LIMITS***

### ***Finding #6***

The DOA, in implementing the SuperCard Program, did not limit the number of employees, departments could issue procurement cards to and allowed a standard default profile limit of \$5,000 per month. Subsequently, this \$5,000 could be adjusted upward or downward by the department. In current practice, departments set each employee's profile limit in the PNC Works software program and can make adjustments as needed. Although State Budget and Accounting Manual Chapter XIV, SuperCard Purchase/Travel Program, states that the cardholder is responsible for all use of his/her card. SuperCards are State liable credit cards.

The following is a summary of outstanding SuperCard's (state-wide) and their corresponding profile limit:

<b>Profile limits*</b>	<b># of Cards*</b>	<b>% of Total Cards</b>
Less than \$1,000	132	3.37%
\$1,000 - \$4,999	498	12.70%
\$5,000 - \$9,999	1,499	38.24%
\$10,000 - \$49,999	1,739	44.36%
Greater than \$50,000	52	1.33%
Total Cards	3,920	100.00%

\*all cards with open status as of January 1, 2005

The following is a summary of the average percentage of employee use of their assigned monthly profile limit:

<b>% of Profile limit Spent*</b>	<b># of Cards*</b>	<b>% of Total Cards</b>
Less than 10%	3,142***	88.50%
10% - 24%	303	8.53%
25% - 49%	79	2.22%
50% - 74%	13	.36%
75% - 100%	5	.01%
Greater than 100%	8	.02%
Total Cards Analyzed	3,550**	100%

\* all cards issued as of 1/31/05 based on purchases summarized and averaged for calendar year 2004

\*\* card count reconciliation

Cards with open status	3,920
Cards with \$0/\$1 limits	370
Cards analyzed	3,550

\*\*\*includes 888 cards with no purchasing activity

88.5% of State employees that are issued a SuperCard use less than 10% of their established profile limit. In addition, 888 cardholders had no purchasing activity for calendar year 2004. As of January 31, 2005, the total outstanding profile limits assigned to all SuperCard holders was approximately \$49,837,000. Based on the average monthly spending analysis detailed above, approximately \$44,105,000 of the outstanding profile limits remain unused on a monthly basis.

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# Findings and Recommendations

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The State's maximum credit limit is \$20,000,000, \$3,000,000 of which is limited strictly for specific vendor ACI payments. The maximum risk to the State each month is \$17,000,000. In addition, the State is insured up to \$100,000 per employee if the card is misused by the employee and if the employee receives notice of termination within 75 days of the items being billed.

## ***Recommendation #6***

The DOA is responsible for the oversight of the SuperCard program, as such the DOA should develop and implement policies and procedures to reduce the State liability related to the SuperCard program. Policies and procedures should include but are not limited to the following:

- Setting criteria for employees who should be issued a SuperCard and including the criteria in the Budget and Accounting Manual and the department/division/sections SuperCard internal control policies and procedures. Criteria should be based on job responsibilities, extent of expected travel, and position grade level. For employees who are expected to travel infrequently, DOA should require their profile limits be set to \$1 until such time a travel authorization form has been approved. The profile limit can then be adjusted to the expected travel expenses and reduced to \$1 when the employee returns from the trip.
- Setting guidelines for department/divisions/sections to use for setting and reviewing profile limits. The guidelines should be outlined in the Budget and Accounting Manual and be required in the department/division/sections SuperCard internal control policies and procedures.
- Reviewing SuperCard cardholders total activity and monthly spend limits for department/division/sections at a minimum on a quarterly basis and contacting department/division/sections to determine if profile limits need to be reduced or cards need to be terminated.
- Require departments to update SuperCard policies and procedures based on new requirements set forth in the Budget and Accounting Manual.

## ***Auditee Response #6***

1. The updated Budget and Accounting Manual will include the SuperCard Purchase/Travel Program Policy and Procedures and address the following:
  - a. Criteria for employees who should be issued a SuperCard.
  - b. Guidance on SuperCards for employees who are expected to travel infrequently. Credit limits will be set to \$1 until such time a travel authorization form has been approved. The credit limit can then be adjusted to the expected travel expenses and reduced to \$1 when the employee returns from the trip.
  - c. Guidelines to organizations for setting and reviewing profile limits.



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# Findings and Recommendations

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2. Organizations will be required to update their internal controls based on new requirements set forth.

## **MONTHLY RECONCILIATIONS**

### ***Finding #7***

The monthly reconciliation of PNC Statements, purchase logs (if used), receipts, and the IV provided by the DOA were not always performed within a timely manner. Monthly reconciliations were not completed in a timely manner in the following departments:

- Department of Administrative Services (DAS)
  - Nine reconciliations dating back to September 16, 2004 were not completed by April 11, 2005
- Department of Natural Resources and Environmental Control (DNREC) – Parks and Recreation
  - One IV available on August 26, 2004 was not reconciled and processed until October 4, 2004
  - Nine IV's available on October 27, 2004 were not reconciled and processed until December 27, 2004 through January 21, 2005
- Department of Health and Social Services (DHSS)
  - Medical Examiner
    - One IV available on September 16, 2004 was not reconciled until March 8, 2005
    - One IV available on December 1, 2004 was not reconciled until May 8, 2005
  - Social Services
    - One IV available on 9/16/04 was not reconciled until November 4, 2004
    - One IV available on December 1, 2004 was not reconciled until February 3, 2005
- Department of Services for Children, Youth and Their Families (DSCYF)
  - One IV available on September 17, 2004 was not reconciled until November 9, 2004

*Internal Control-Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines control activities as policies and procedures that help ensure that management's directives are carried out. Reconciliation controls are designed to detect if two items are consistent and are an integral part of any internal control structure.

The State Budget and Accounting Manual Chapter XIV, SuperCard Purchase/Travel Program, does not provide adequate guidance regarding the reconciliation procedures. In addition, as a result of the implementation of the SuperCard and the growth of the SuperCard program, additional processes requiring additional staff time are required at the department/division/section level to reconcile SuperCard transactions on a monthly basis. The result is transactions that are not being reviewed in a timely manner to ensure the State's assets are safeguarded.

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# Findings and Recommendations

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## ***Recommendation #7***

The DOA update Chapter XIV of the State Budget and Accounting Manual to include detailed reconciliation procedures and require department's to reconcile authorized SuperCard receipts and purchase logs (if used) to the PNC statement and IV within 30 days of the statement close dates. The DOA should require department/divisions/sections to incorporate and follow these reconciliation and payment procedures in its SuperCard processes. DOA may consider obtaining department/division/section reconciliations on a periodic basis to ensure completion and accuracy.

## ***Auditee Response #7***

The updated Budget and Accounting Manual will include reconciliation procedures for the SuperCard Purchase/Travel Program. Organizations will be required to reconcile SuperCard receipts and purchase logs (if used) to the PNC statement and Payment Manager within 30 days of the statement close dates.

## ***Finding #8***

The DOA makes IV's available to departments for SuperCard payment.

- IV's for the PNC statement dated August 27, 2004 were made available to the departments on September 16, 2004.
- IV's for the PNC statement dated September 27, 2004 were made available to the department's on December 1, 2004.

The SuperCard reconciliations not being completed by DAS, DNREC, DHSS, and DSCYF in a timely manner resulted in the IV's for the same months not being paid to DOA within 30 days of receipt. In addition, East Side Charter School last submitted payment to DOA for SuperCard purchases in December 2004 for the September 2004 PNC statement. As of April 27, 2005, East Side Charter School had not paid the SuperCard IV to DOA for the months of October 2004 through March 2005. The Administrative Assistant not understanding the IV payment process in DFMS caused the non-payment of IV's by East Side Charter School.

DOA does not reconcile the department/division/section's IV payments. As of January 2005, DOA had not completed a reconciliation for any month in fiscal year 2005.

*Internal Control-Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines control activities as policies and procedures that help ensure that management's directives are carried out. Reconciliation controls are designed to detect if two items are consistent and is an integral part of any internal control structure.

## ***Recommendation #8***

The DOA should update Chapter XIV of the State Budget and Accounting Manual to require department's to reconcile the PNC statement to the IV and pay the IV to DOA within 30 days of the PNC statement close date. The DOA should require department/divisions/sections to incorporate and follow these deadlines in its SuperCard processes.

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# Findings and Recommendations

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DOA should develop and implement monthly SuperCard IV reconciliation procedures to ensure timely payment by departments. The reconciliation should be completed within 15 days of required payment dates. Any unpaid IV's should be discussed and resolved immediately with the departments. DOA may consider obtaining department/division/section reconciliations on a periodic basis to ensure completion and accuracy.

## ***Auditee Response #8***

The updated Budget and Accounting Manual will include the SuperCard Purchase/Travel Program Policy and Procedures and address the following:

1. Monthly SuperCard IV reconciliation procedures to ensure timely payment by organizations.
2. A requirement for organization's to reconcile the PNC statements to the DOA IV and pay the IV to DOA within 30 days of the statement close dates.

## ***Finding #9***

There is no evidence of a formal management review of monthly SuperCard reconciliations at the Department of Administrative Services, the Department of Technology and Information, and the Department of Health and Social Services (Management Support and Medical Examiner).

The senior fiscal officer and fiscal officer sign and approve the IV payment that denotes the management review of the attached SuperCard reconciliation at Department of Services for Children Youth and Their Families (Division of Child Mental Health Managed Care Organization and Division of Family Services Prevention/Early Intervention). However, the management review is not always completed.

The DOA does not complete formal management reviews of the reconciliation between PNC and DFMS.

*Internal Control-Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines control activities as policies and procedures that help ensure that management's directives are carried out. Management review controls are defined as the activities of a person different than the preparer analyzing and performing oversight of activities performed and is an integral part of any internal control structure.

Formal management review controls are documented via signature and date on the reconciliation after the reviewer has analyzed and approved the reconciliation. The signature and date is the only evidence that the management review has been completed accurately and timely. The OAOA relied on these signature and dates at other agencies reviewed but cannot provide assurances that the review completed required management review function.

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# Findings and Recommendations

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If management does not review the SuperCard reconciliations to ensure the accuracy and allowability of cardholder transactions, the State's assets are at risk. This occurred in a recent SuperCard misuse in which the person responsible for reconciling SuperCard activity made personal purchases of approximately \$42,000 on other cardholder accounts. If the management review control had been in place and working as designed the individual's misuse would have been uncovered when the individual was testing to see if the management review control was in place.

## ***Recommendation #9***

The DOA update Chapter XIV of the State Budget and Accounting Manual to include detailed guidance on management review controls that should be performed at all department/divisions/sections. The DOA educate the department/divisions/sections on the necessity of management review controls and the meaning of a signature on a document that attests to the fact the individual did review and does approve that document.

## ***Auditee Response #9***

The updated Budget and Accounting Manual will include the SuperCard Purchase/Travel Program Policy and Procedures and address the following:

1. Management review controls that should be performed at all organizations.
2. Once the two internal control positions have been filled, State organizations' internal controls will be carefully reviewed and monitored. As a result of these reviews, recommendations will be made to cabinet level authorities.

## ***SUPERCARD TRANSACTIONS***

### ***Finding #10***

1,259 SuperCard transactions with a total value of \$862,841 were reviewed at the department/division/section's detailed in the scope section of this report. Of those 1,259 transactions reviewed 110 transactions value at \$60,166 did not have supporting documentation and 488 (including the 110 without receipts) transactions value at \$391,896 did not have supervisory approval. The tables summarize the transactions by Department without supervisor approval and without supporting documentation.

# Findings and Recommendations

## *Analysis of Transactions without Supervisory Approval*

Department	Transactions Reviewed	Value of Transactions	Transactions Not Approved	\$ Value of Transactions Not Approved
DTI	60	\$159,106	58	\$158,666**
DAS	240	\$404,666	89	\$115,757
DHSS	240	\$ 88,961	62	\$ 32,492
DNREC	274	\$ 95,421	107	\$ 20,714
DTCC	120	\$ 24,708	1	\$ 8
DSCYF	97	\$ 12,866	3	\$ 1,179
East Side Charter	168	\$ 63,746	156*	\$ 59,230*
Seaford School District	60	\$ 13,345	3	\$ 3,998

\*sample was expanded as result of significant amount of transactions without receipts, lack of supervisory review on 108 of the transactions was extrapolated from the finding in the original sample of 60

\*\*9 of the transactions had authorized purchase orders

## *Analysis of Transactions without Supporting Documentation*

Department	Transactions Reviewed	Value of Transactions	Transactions Without Supporting Documentation	\$ Value of Transactions Without Supporting Documentation
DTI	60	\$159,106	0	\$ 0
DAS	240	\$404,666	23	\$23,703
DHSS	240	\$ 88,961	4	\$ 271
DNREC	274	\$ 95,421	13	\$ 4,007
DTCC	120	\$ 24,708	1	\$ 8
KIDS	97	\$ 12,866	6	\$ 998
East Side Charter	168	\$ 63,746	63	\$31,179
Seaford School District	60	\$ 13,345	0	0

*Internal Control-Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines control activities as policies and procedures that help ensure that management's directives are carried out. Management review controls are defined as the activities of a person different than the preparer analyzing and performing oversight of activities performed and is an integral part of any internal control structure.

Based on discussions with various departments/divisions/sections, it appears that the root cause of the significant amount of transactions without supporting documentation or management approval stems from the magnitude of cards issued throughout the state and the significant

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# Findings and Recommendations

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amount of time necessary at the department/division/section level to manage the SuperCard process. The SuperCard program relies on detective controls (approvals of purchases after transactions have occurred) rather than preventative controls (approvals of purchases prior to incurring the cost) and has resulted 38.9% of the total SuperCard purchases not being approved and 9.6% of transactions not supported by documentation that validates the purchase was to benefit the State.

## ***Recommendation #10***

The DOA should revise the SuperCard program to safeguard the State's assets that are at risk as a result of the current SuperCard practices. Corrective action may include but is not limited to the following:

- Reducing the number of SuperCards issued throughout the State by developing specific criteria for employees who are issued the cards.
- Centralized purchasing functions at State agencies in which a method of payment could be the SuperCard.
- Specific internal control procedures regarding authorization of transactions and need for supporting documentation in the State Budget and Accounting Manual Chapter XIV.
- Immediate termination of cardholders card if supporting documentation is not received.
- Supervisor's performance evaluations include compliance with the authorization of transactions

## ***Auditee Response #10***

The updated Budget and Accounting Manual will include the SuperCard Purchase/Travel Program Policy and Procedures and address the following:

1. Criteria for employees who should be issued a SuperCard.
2. Specific internal control procedures regarding authorization of transactions and need for supporting documentation.

## ***DOA TRACKING OF PNC COMMUNICATION***

### ***Finding #11***

The DOA receives routine communication from PNC and through PNC Works System. Examples of communication include daily declines and suspicious and questionable card activity. A tracking mechanism is not in place to ensure resolution of the issues brought to the DOA's attention by PNC. Currently, the DOA SuperCard team discusses the communications on at a weekly SuperCard meeting.

The Budget and Accounting Manual Chapter II, Internal Control, states, "a well designed system of controls must include written policies and procedures to ensure that each control objective is met."

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# Findings and Recommendations

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The DOA does not have policies and procedures governing the SuperCard oversight process. If routine communications of issues received from PNC and the Works system are not organized and maintained timely then accurate resolution cannot be assured.

## ***Recommendation #11***

DOA should develop, approve, and implement SuperCard Oversight Policies and Procedures. The procedures should include the maintaining documentation of correspondence from PNC and the Works System, logging issues into a tracking mechanism (such as Excel or Access), and including the resolution to all issues identified. The issue tracking mechanism may include but is not limited to:

- Date and type of issue correspondence received from PNC or PNC Works System
- Department/division/section and cardholder affected
- Recommended resolution to issue
- Discussion with department/division/section personnel (including person in which issue was discussed and date of discussion)
- Issue resolution and date of resolution

## ***Auditee Response #11***

DOA will develop and implement a SuperCard tracking mechanism by December 31, 2005 that will include:

1. Correspondence received from PNC or Works Inc.
2. Information on Department/division/section and cardholder affected.
3. Recommended resolution to issue.
4. Documentation of discussions with department/division/section personnel (including person with whom issue was discussed and date of discussion).
5. Issue resolution and date of resolution.

## ***CASH ADVANCES***

### ***Finding #12***

Cash advance policies are inconsistent between departments. Some departments allow cash advances and some departments do not allow cash advances. In calendar year 2004, the State had approximately \$185,000 in cash advance activity. In addition, there has been known misuse of cash advances in the amount of approximately \$4,000.

### ***Recommendation#12***

The state should discontinue the practice of allowing cash advances on SuperCards and block the MCC code on all state issued cards. Pin numbers should not be generated by PNC and sent to employees.

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# Findings and Recommendations

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## ***Auditee Response #12***

1. We disagree with this recommendation. Utilization of the SuperCard for cash advances is industry standard and a best practice. We have noted the following:
  - a. Cash withdrawals using the SuperCard are an effective and efficient manner in which to provide employees the funds necessary for miscellaneous expenses for official travel or to reimburse employees for small purchase amounts.
  - b. CY 2004 had approximately 1288 cash transactions with fees of approximately \$ 4,300, 2.35% of transactions or approximately \$3.40 per transaction. This compares very favorably with the cost and effort necessary to process a cash advance with a Payment Voucher or to maintain Petty Cash in an organization.
2. Using this method of cash advance provides greater internal controls:
  - a. The Cardholder signs a “Cardholder Agreement” prior to receiving the SuperCard with the following statement: “The cardholder is personally liable to reimburse the State in the full amount, including any interest or penalty, for any personal or unauthorized purchases in addition to any discipline which may be imposed.”
  - b. Payment Manager has a report “MCC Audit Report” which includes Merchant Category Codes that DOA deems to be most vulnerable to misuse. The MCCs for cash advances are listed on that report and the report will be highlighted to State organizations in the SuperCard Purchase/Travel Program Policy and Procedures.
  - c. The VISA Liability Waiver Program offers \$100,000 coverage to the State for Cardholders that improperly use the SuperCard for their own benefit. The Cardholder must receive notice of termination from the State within 75 days of the improper item(s) being billed in order for the State to be eligible for the coverage.
  - d. The Department of Finance and the Office of Auditor of Accounts (AOA) are to enter into a Cooperative Agreement for the period July 1, 2005 through June 30, 2006. The purpose of this cooperative agreement is to establish a systematic approach for the notification by both organizations when improper charges have been made on a State Credit Card or that the Credit Card has been stolen. The AOA will, upon being notified, determine if an investigation should be conducted.

## ***Auditors Comment***

Based on the inherent risk associated with cash advances and the current lack of reconciliation and management review controls regarding SuperCard transactions, the Office of Auditor of Accounts reinforces our recommendation to discontinue the practice of cash advances at this time. The DOA did not take into consideration the cost of known fraud when calculating the value of cash advance transactions and based on the lack of controls there is a significant potential for unknown misuse with the use of cash advances.



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# Findings and Recommendations

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## ***OTHER FINDINGS REPORTED TO THE DEPARTMENTS***

Each department reviewed was issued a management letter that detailed its SuperCard internal control strengths and weaknesses, as well as recommendation to improve weaknesses identified. The strengths and weaknesses by department/division/section can be found in Appendix A of this report. Below is a summary of weaknesses identified that were not discussed above:

### ***DEPARTMENT OF ADMINISTRATIVE SERVICES (DAS)***

Based on a review of 240 transactions at the DAS and the SuperCard process, the following noncompliance with State policies and procedures and/or department policies and procedures were noted:

- 22 Purchase Orders were dated after the purchase of the goods
- 20 purchases that should have utilized vendor contracts did not utilize vendor contracts
- 80 purchases were not paid for within 30 days
- 43 purchases could not be traced to the IV
- Purchase logs were not used as required by DAS policies for 102 transactions and were not approved for another 15 transactions
- SuperCard policies were not formally approved

### ***DEPARTMENT OF HEALTH AND SOCIAL SERVICES (DHSS)***

Based on a review of 240 transactions at the DHSS and the SuperCard process, the following noncompliance with State policies and procedures and/or department policies and procedures were noted:

- Purchase logs were not approved for 45 transactions (13 Public Health and 32 Social Services)
- Purchase log formats were not consistent with internal policies and procedures (Public Health)
- Accountant provided and approved object coding in DFMS (Public Health)
- Lack of segregation of duties (Medical Examiner)
- Purchase transactions were not properly pre-approved in accordance with internal policies and procedures for 55 transactions (Management Services)
- One IV reviewed didn't include the appropriate authorizing signatures (Management Services)
- New applications were not properly reviewed and approved (Medical Examiner)
- Two terminated employees' cards were not deactivated timely (Medical Examiner)

### ***DEPARTMENT OF TECHNOLOGY AND INFORMATION (DTI)***

Based on a review of 60 transactions at the DTI, the following noncompliance with State policies and procedures and/or department policies and procedures were noted:

- IV's were not reviewed before the release of payment to DOA
- Employee Agreement Forms regarding the SuperCard Internal Control Policy were not signed as required by DTI's internal policies and procedures

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# Findings and Recommendations

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## *DEPARTMENT OF CHILDREN, YOUTH AND THEIR FAMILIES (DCYF)*

Based on a review of 97 transactions at the DCYF and the SuperCard process, the following noncompliance with State policies and procedures and/or department policies and procedures were noted:

- Purchase logs were not maintained and reviewed for the majority of the transactions as required by the Department's internal policies and procedures.
- Applications were not reviewed and approved in accordance with internal policies and procedures and an employee's supervisor did not approve the SuperCard application.
- One terminated employee's card was not deactivated in a timely manner and the divisions do not receive a report from the human resource department detailing terminated employees.

## *EAST SIDE CHARTER SCHOOL*

Based on a review of 60 transactions at East Side Charter School and the SuperCard process, the following noncompliance with State policies and procedures and/or department policies and procedures were noted:

- The SuperCard coordinator performs all functions related to the SuperCard resulting in a lack of segregation of duties.
- Non-utilization of PNC Works software to manage the SuperCard process.

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# Distribution of Report

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Copies of this report have been distributed to the following public officials:

## Legislative

The Honorable Russell T. Larson, Controller General, Office of the Controller General

## Executive

The Honorable Ruth Ann Minner, Governor, State of Delaware

The Honorable Richard S. Cordrey, Secretary, Department of Finance

The Honorable Jennifer W. Davis, Director, Office of Management and Budget

The Honorable Cari DeSantis, Secretary, Department of Services for Children, Youth and Their Families

The Honorable Vincent P. Meconi, Secretary, Department of Health and Social Services

The Honorable John A. Hughes, Secretary, Department of Natural Resources and Environmental Control

The Honorable Thomas M. Jarrett, Secretary, Department of Technology and Information

## Other Elective Offices

The Honorable M. Jane Brady, Attorney General, Office of the Attorney General

## Other

Ms. Trisha Neely, Director, Division of Accounting

Dr. Orlando J. George, Jr., President, Delaware Technical and Community College

Dr. Russell H. Knorr, Superintendent, Seaford School District

Mr. Will Robinson, Executive Director, East Side Charter School

## SUPERCARD INTERNAL CONTROL STRENGTHS – SEAFORD SCHOOL DISTRICT

The following internal control strengths for the SuperCard process were identified.

#	STRENGTH	TYPE OF CONTROL
1	Only administrators with financial management responsibilities have SuperCards unless special circumstances exist.	Authorization
2	Account coding provided by fund managers on the Record of Credit Card Purchases and reviewed for discrepancies at month end.	Management Review
3	Card is cancelled and destroyed upon employee termination/transfer.	Authorization
4	DOA requires signature to release card when issued.	Authorization
5	Record of Credit Card Purchases maintained and signed by fund manager before being submitted to business office.	Authorization
6	Receipts are agreed to Works by Financial Secretary on a weekly basis.	Reconciliation
7	Director of Admin Services reviews and approves IV and related reconciliations.	Management Review
8	Receipts, Excel spreadsheet, PNC statement, and IV are reconciled monthly.	Reconciliation

## SUPERCARD INTERNAL CONTROL WEAKNESSES – SEAFORD SCHOOL DISTRICT

The following internal control weaknesses for the SuperCard process were identified:

#	Weakness	Control(s) Needed	Recommendation	Management Response
1	Written internal control procedures do not address the district's reporting and billing structure or procedures for account reconciliation.	Written Policies and Procedures	Expand written policies and procedures to include the reporting and billing structure for the SuperCard.	The district will review existing policies and procedures and expand to provide more detail.
2	Card spending limits are not periodically reviewed and are not addressed in the district's written internal control procedures.	Management Review	Periodically analyze cardholder's spending limits to eliminate excessive limits.	Spending limits will be reviewed annually.

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## SUPERCARD INTERNAL CONTROL STRENGTHS - DNREC

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The following internal control strengths for the SuperCard process were identified.

#	STRENGTH	DIVISION/ SECTION	TYPE OF CONTROL
1	No application is completed unless requested by the employee's supervisor.	Fish & Wildlife Parks & Recreation Water Resources	Authorization
2	Application requires signatures of employee, his/her Section Manager, and Fiscal Administrative Officer.	Fish & Wildlife Parks & Recreation Water Resources	Authorization Management Review Segregation of Duties
3	The Departments Fiscal Analyst enters application data into Works.	Fish & Wildlife Parks & Recreation Water Resources	Management Review Segregation of Duties
4	DOA requires signature to release card when issued.	Fish & Wildlife Parks & Recreation Water Resources	Authorization
5	Division Personnel notify Card Administrator of all employee terminations and effective dates.	Fish & Wildlife Parks & Recreation Water Resources	Authorization Segregation of Duties
6	Prior to issuing a SuperCard an agreement and authorization form is required to be signed and dated by the employee.	Fish & Wildlife Parks & Recreation Water Resources	Authorization
7	Fiscal Admin Officer reviews transactions daily in Works.	Fish & Wildlife	Management Review
8	Supervisors initial receipts for approval.	Fish & Wildlife	Authorization Management Review
9	Receipts are agreed to Works when received.	Fish & Wildlife	Reconciliation
10	Receipts, PNC statement, and IV are reconciled monthly.	Fish & Wildlife	Reconciliation
11	IV reviewed by A/P Supervisor, Fiscal Admin Officer, Environmental Program Manager II, and Division Director (>\$2,500)	Fish & Wildlife	Management Review
12	PNC Bank Statement, Purchase logs, receipts and IV are reconciled monthly by Accountant II.	Parks & Recreation Water Resources	Reconciliation
13	IV document prepared by Accountant II is reviewed and signed by the Division's Fiscal Administrative Officer and Division Director.	Parks & Recreation Water Resources	Management Review

## SUPERCARD INTERNAL CONTROL WEAKNESSES - DNREC

The following internal control weaknesses for the SuperCard process were identified:

#	Weakness	Division/Section	Control(s) Needed	Recommendation	Management Response
1	DNREC's SuperCard policies and procedures do not address spending limits or restricted MCC codes as required by the State Budget and Accounting Manual, Page XIV-43. Unguided spending limits exposes the State to potential loss in the event of misuse, regardless of insurance coverage.	Fish & Wildlife  Parks & Recreation  Water Resources	Policies and Procedures	Determine the appropriate levels of monthly spending limits for the cardholders and update the SuperCard policies and procedures to reflect the Division's policy on spending limits and MCC codes.	<p>The SuperCard Policy was revised to include the following:</p> <ul style="list-style-type: none"> <li>• All employees must follow Department of Finance allowable standard in MCC as per the State Budget and Accounting Manual</li> <li>• All spending limits are to be set at the time the application is submitted by the divisional FAO and the employee's supervisor and periodically reviewed to user credit limits are set at the correct level for each employee. The review of credit limits is to be done by each Division Works Administrator in agreement with the Divisional FAO and submitted to the Department Works Administrator if and when changes are needed. The Department Works Administrator will ensure all changes are made.</li> <li>• All reconciliations should be completed in a reasonable amount of time after receipt of statements.</li> </ul>

## SUPERCARD INTERNAL CONTROL WEAKNESSES - DNREC

#	Weakness	Division/Section	Control(s) Needed	Recommendation	Management Response
2	<p>SuperCard spending levels at the Divisions of Fish &amp; Wildlife and Parks &amp; Recreation indicate that some cardholders have excessive monthly spending limits.</p> <p>Excessive monthly spending limits expose the State to a greater potential loss in the event of card theft, loss, or fraud.</p>	<p>Fish &amp; Wildlife</p> <p>Parks &amp; Recreation</p>	Authorization, Management Review	<p>The SuperCard monthly transaction limits for the Division of Fish &amp; Wildlife should be evaluated and assessed at more conservative levels in order to minimize the State's exposure to loss.</p> <p>The SuperCard monthly transaction limits for the Division of Parks &amp; Recreation should be evaluated and assessed at more conservative levels in order to minimize the State's exposure to loss.</p>	<p><u>Fish and Wildlife</u> – reviewed levels of spending on all active cards and adjusted cardholder spending limits where applicable. Future exceptions to increase spending limits of any cardholder will be considered by request and reviewed based on the agency/section's specific needs.</p> <p><u>Parks and Recreation</u> – The Department's fiscal analyst has reset all monthly spending limits for cardholders to a lower level except two cards used at the Control Office for the payment of small petty cash limit bills, EZ pass and other recurring bills, these have been reset to \$10,000.</p>
3	Of 180 transactions reviewed, thirteen (13) transactions did not have adequate documentation to support purchases made with the SuperCard.	Parks & Recreation	Management Review	We recommend that management ensure all receipts for purchases made with the SuperCard are received and attached to the individual cardholder's credit card statement.	As part of the reconciliation process the Accountant II will ensure that there is adequate documentation to support purchases before an IV can be created to reimburse the dump appropriation. If there is a dispute or problem obtaining documentation, the employee's supervisor and the FAO are to be notified and this event documented.

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## SUPERCARD INTERNAL CONTROL WEAKNESSES - DNREC

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#	Weakness	Division/Section	Control(s) Needed	Recommendation	Management Response
4	Of 180 transactions reviewed, 134 transactions did not have evidence of supervisory approval.	Parks & Recreation	Authorization Management Review	We recommend that management provide evidence of a formal review of each SuperCard transaction by signing the cardholder's credit card receipt or cardholder's purchase log.	A new purchase log has been distributed with a line under the certification statement for the supervisor's signature. The Accountant II is not to process any purchase log with a missing supervisor's signature. If the supervisor is not available the Operations Supervisor or Section Manager is to sign the log.
5	Monthly reconciliations between PNC bank statements, IVs submitted by DOA, employee purchase logs and receipts are not always performed in a timely manner. Reconciliations for the October 27, 2004 billing cycle were not performed until December 2004 and January 2005. Timely reconciliations would ensure that Division's revolving fund used to reimburse the Division of Accounting SuperCard payment is replenished with sufficient funds. Also, any discrepancies identified would be resolved in a timely manner.	Parks & Recreation	Reconciliation	Monthly reconciliations for the SuperCard program should be performed no later than thirty days after the billing cycle.	The Accountant II has eliminated the backlog of transactions. The Department is currently reconciling March transactions and are within the 30-day billing cycle. Field employees have been notified of the cut-off dates and mail their purchase logs to the Division Accounting Section. Failure to do so will result in an e-mail or telephone contract from the Accountant II.



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## SUPERCARD INTERNAL CONTROL STRENGTHS - DTI

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The following internal control strengths for the SuperCard process were identified.

#	STRENGTH	TYPE OF CONTROL
1	No application is completed unless approved by the employee's Team Leader and authorized by the Controller.	Authorization
2	Employee and Controller sign Employee Agreement form before the card is issued to the employee	Authorization Management Review
3	Card is cancelled and destroyed upon employee termination/transfer.	Authorization
4	DOA requires signature to release card when issued.	Authorization
5	All transactions are pre-approved with Purchase Order Request, Travel Voucher, or Petty Cash Request.	Authorization
6	Receipts are agreed to Works by cardholder when received.	Reconciliation
7	Controller or Fiscal Supervisor review transactions daily in Works and verify with receipt.	Management Review
8	Receipts, Excel spreadsheet, PNC statement, and IV are reconciled monthly.	Reconciliation

## SUPERCARD INTERNAL CONTROL WEAKNESSES - DTI

The following internal control weaknesses for the SuperCard process were identified:

#	Weakness	Division/Section	Control(s) Needed	Recommendation	Management Response
1	The Department of Technology and Information's policies and procedures for the SuperCard program do not include its requirements for commodity code use and card spending limits as required by the Budget and Accounting Manual, Page XIV-43. The policies and procedures also do not describe the process for changing or deleting cardholders.	Business Office	Policy and Procedure	Determine the Department of Technology and Information's policy for commodity code use and spending limits and include the information in the SuperCard policies and procedures. Also include the process for changing and deleting cardholders.	DTI utilizes the commodity code blocking established by DOA, no further restrictions have been imposed. Card spending limits are established by the Fiscal Supervisor based on monthly spending patterns. These are reviewed periodically at the end of each month and adjusted as needed. New cardholders must first obtain the approval of their Team Leaders and then follow established procedures. Deleting a cardholder entails obtaining and destroying their card, notifying PNC to deactivate the card of that employee, and removing their name from the list of Departmental cardholders. Current policy will be amended to include the above and become effective immediately.
2	Management does not review the IV before it is released in DFMS. This oversight may result in potential miscoding of expenditures. The Budget and Accounting Manual requires adequate review and approval of transactions.	Business Office	Management Review Authorization	The IV and all supporting documentation should be reviewed for accuracy by management before the information is released in DFMS.	The IV and all supporting documentation will be reviewed and authorized by the Fiscal Supervisor before the information is released in DFMS.

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## SUPERCARD INTERNAL CONTROL WEAKNESSES - DTI

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#	Weakness	Division/Section	Control(s) Needed	Recommendation	Management Response
3	One card tested was noted to have an excessive monthly spending limit. DTI does not periodically review the card settings for appropriateness, which may create excessive monthly spending, limits. Excessive monthly spending limits expose the State to a greater potential loss in the event of card theft, loss, or fraud. Chapter II of the Budget and Accounting Manual requires adequate internal controls to minimize the State's exposure to loss.	Business Office	Management Review	DTI should periodically evaluate card settings for appropriateness.	Card spending limits will be reviewed monthly and adjusted as deemed necessary by the Fiscal Supervisor.
4	The DTI Employee Agreement Forms are not being signed by the employee and the controller as stated in DTI's policies and procedures. Consequently, the cardholders may not be informed of DTI's SuperCard Internal Control Policy.	Business Office	Management Review Authorization	The DTI Employee Agreement Forms should be signed by the employee and the controller as stated in DTI's policies and procedures in order to properly inform the cardholders of DTI's SuperCard Internal Control Policy.	Employee Agreement Forms signed by both the employee and the Controller are now on file for all current cardholders. A form will be completed and appropriately signed for all future new cardholders.
5	Management has not ensured that accurate cardholder statement reconciliations, along with signed IVs, are completed and attached to the cardholders' monthly PNC statements.	Business Office	Documentation Authorization Management Review	We recommend that management ensure that accurate cardholder statement reconciliations are performed and, along with signed IVs, are attached to all individual SuperCard statements.	Cardholder statement reconciliations will be reviewed for accuracy and approved by the Fiscal Supervisor. Reconciliation receipts will then be filed by vendor. SuperCard Statements will be attached to and filed with a signed IV.

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## SUPERCARD INTERNAL CONTROL WEAKNESSES - DTI

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#	Weakness	Division/Section	Control(s) Needed	Recommendation	Management Response
6	Management has not ensured that all receipts receive appropriate supervisory/managerial review and are attached to the cardholders' monthly PNC statements. Additionally, management has not ensured that all Super Card purchases are properly approved according to the Department's internal control policies and procedures.	Business Office	Management Review Authorization	We recommend SuperCard purchases receive proper authorization in accordance with State and Departmental policies. We also recommend that management ensure that all receipts are properly reviewed at the appropriate levels and are attached to the individual cardholder's monthly credit card statements.	All SuperCard purchases will be pre-approved in accordance with agency Purchasing Policy. All receipts will be reviewed and filed by vendor.
7	Management has not developed adequate internal controls to ensure that object codes are reviewed for accuracy.	Business Office	Management Review	We recommend management establish and implement adequate accounting controls to ensure the coding of all SuperCard purchases be reviewed for accuracy.	All coding will be reviewed and approved by the Fiscal Supervisor.

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## SUPERCARD INTERNAL CONTROL STRENGTHS – DTCC TERRY CAMPUS

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The following internal control strengths for the SuperCard process were identified.

#	STRENGTH	DIVISION/ SECTION	TYPE OF CONTROL
1	No application is completed unless requested by the employee's supervisor.	Terry Campus	Authorization
2	Application requires signatures of employee, his/her Supervisor, the agency Coordinator and Back-Up Coordinator, Business Manager, and Division Dean or Director.	Terry Campus	Authorization Management Review Segregation of Duties
3	Application also requires signatures of Campus Director and Vice President of Finance.	Terry Campus	Authorization Management Review Segregation of Duties
4	The College's Fiscal Administrative Officer enters application data into Works.	Terry Campus	Management Review Segregation of Duties
5	DOA requires signature to release card when issued.	Terry Campus	Authorization
6	Human Resources Office gives terminated employees a list on which each division signs off that the employee does not have any outstanding obligations.	Terry Campus	Authorization
7	Prior to issuing a SuperCard an agreement and authorization form is required to be signed and dated by the employee.	Terry Campus	Authorization
8	SuperCards for employees, except for deans and directors, are kept in a locked safe, file cabinet or desk when not in use.	Terry Campus	Authorization
9	Cardholders cannot make ATM cash withdrawals.	Terry Campus	Policy and Procedure
10	Director signs purchase log sheets.	Terry Campus	Authorization Management Review
11	Receipts, purchase logs, PNC statement, and IV are reconciled monthly.	Terry Campus	Reconciliation
12	Reconciliation is reviewed by Fiscal Administrative Officer	Terry Campus	Management Review
13	EX document is reviewed and signed by the Business Manager.	Terry Campus	Reconciliation
14	EX document is reviewed and signed by the Fiscal Administrative Officer.	Terry Campus	Management Review

## SUPERCARD INTERNAL CONTROL WEAKNESSES – DTCC TERRY CAMPUS

The following internal control weaknesses for the SuperCard process were identified:

#	Weakness	Division/Section	Control(s) Needed	Recommendation	Management Response
1	DTCC's SuperCard policies and procedures do not address restricted MCC codes as required by the State Budget and Accounting Manual, Page XIV-43. The policy also does not specify if the cards are maintained in a secure location or whether the cardholders maintain possession during periods of inactivity.	Terry Campus	Policies and Procedures	DTCC amend its written SuperCard internal policies and procedures to reflect MCC blocking and address card management for the various sections.	The College will incorporate language into its policies and procedures as required by the State Budget and Accounting Manual. These policies will also be updated to specify where the cards are to be located for safekeeping.
2	SuperCard spending levels indicate that some cardholders have excessive monthly spending limits. Excessive monthly spending limits expose the State to a greater potential loss in the event of card theft, loss, or fraud.	Terry Campus	Authorization Management Review	The SuperCard monthly transaction limits should be evaluated and assessed at more conservative levels in order to minimize the State's exposure to loss.	The Terry Campus will conduct a review of its cardholders and determine if the spending limits need to be modified. These recommendations will be forwarded to the College's Vice President for Finance upon completion.
3	The Campus Director's SuperCard purchases are not always reviewed and approved for accuracy and propriety.	Terry Campus	Management Review Control	The Campus Director's SuperCard purchases should be approved by his/her immediate Supervisor or his designee.	The Vice President/Campus Director's SuperCard purchases will be reviewed and approved by the College President, or his designee.

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## SUPERCARD INTERNAL CONTROL STRENGTHS – DTCC OWENS CAMPUS

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The following internal control strengths for the SuperCard process were identified.

#	STRENGTH	DIVISION/ SECTION	TYPE OF CONTROL
1	No application is completed unless requested by the employee's supervisor.	Owens Campus	Authorization
2	Application requires signatures of employee, his/her Supervisor, the agency Coordinator and Back-Up Coordinator, Business Manager, and Division Dean or Director.	Owens Campus	Authorization Management Review Segregation of Duties
3	The College's Fiscal Administrative Officer enters application data into Works.	Owens Campus	Management Review Segregation of Duties
4	DOA requires signature to release card when issued.	Owens Campus	Authorization
5	Employees terminating employment are required to complete an Exit Interview Checklist that includes returning their credit card.	Owens Campus	Authorization Management Review
6	Prior to issuing a SuperCard an agreement and authorization form is required to be signed and dated by the employee.	Owens Campus	Authorization
7	Cardholders are required to sign a log when obtaining their SuperCard for use from the business office.	Owens Campus	Authorization
8	Supervisor signs or initials purchase log for approval. Business Manager reviews and signs all purchase logs.	Owens Campus	Authorization Management Review
9	Receipts, purchase logs, PNC statement, and IV are reconciled monthly.	Owens Campus	Reconciliation
10	EX document is reviewed and signed by the Business Manager.	Owens Campus	Reconciliation

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## SUPERCARD INTERNAL CONTROL WEAKNESSES – DTCC OWENS CAMPUS

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The following internal control weaknesses for the SuperCard process were identified:

#	Weakness	Division/Section	Control(s) Needed	Recommendation	Management Response
1	DTCC's SuperCard policies and procedures do not address restricted MCC codes as required by the State Budget and Accounting Manual, Page XIV-43. The policy also does not specify if the cards are maintained in a secure location or whether the cardholders maintain possession during periods of inactivity.	Owens Campus	Policies and Procedures	DTCC amend its written SuperCard internal policies and procedures to reflect MCC blocking and address card management for the various sections.	The College will incorporate language into its policies and procedures as required by the State Budget and Accounting Manual. These policies will also be updated to specify where the cards are to be located for safekeeping.
2	SuperCard spending levels indicate that some cardholders have excessive monthly spending limits. Excessive monthly spending limits expose the State to a greater potential loss in the event of card theft, loss, or fraud.	Owens Campus	Authorization Management Review	The SuperCard monthly transaction limits should be evaluated and assessed at more conservative levels in order to minimize the State's exposure to loss.	The Owens Campus will conduct a review of its cardholders and determine if the spending limits need to be modified. These recommendations will be forwarded to the College's Vice-President for Finance upon completion.



## SUPERCARD INTERNAL CONTROL STRENGTHS – EAST SIDE CHARTER SCHOOL

The following internal control strengths for the SuperCard process were identified.

#	STRENGTH	DIVISION/ SECTION	TYPE OF CONTROL
1	DOA requires signature to release card when issued.	East Side Charter School	Authorization

## SUPERCARD INTERNAL CONTROL WEAKNESSES – EAST SIDE CHARTER SCHOOL

The Office of Auditor of Accounts identified several significant internal control weaknesses in East Side Charter School's management of the SuperCard process. The following summarizes the identified weaknesses:

### **FINDINGS:**

#### *LACK OF SEGREGATION OF DUTIES*

The SuperCard coordinator is responsible for approving applications, facilitating purchases on the SuperCard, reviewing purchases with the Executive Director, reconciling purchases to the PNC bank statement, and preparing and approving the IV document in DFMS.

#### *LACK OF AUTHORIZATION AND SUPPORT FOR TRANSACTIONS*

Fifty-six out of sixty transactions tested were not properly authorized by an individual who did not make the purchase. The Executive Director's purchases are not subject to approval. In addition, thirteen out of sixty transactions did not have adequate documentation to support the purchase. As a result of these weaknesses, the AOA did additional testing for the months of July through September 2004. This testwork revealed the following:

Month	Transactions	Receipt	No Receipt	Total Value	Value w/ Receipts	Value w/o Receipts
July	37	15	22	\$16,940	\$ 4,623	\$12,317
August	47	29	18	\$23,800	\$10,835	\$12,965
September	24	14	10	\$ 3,683	\$ 1,681	\$ 2,002

The total value of unsupported SuperCard transactions for July through September 2004 was \$27,284, which represents 61% of the total value of the transactions charged for this period.

#### *NONPAYMENT OF IV'S*

As of April 27, 2005, East Side Charter School last submitted payment to the Division of Accounting for SuperCard purchases in December 2004. The IV paid in December 2004 was for

purchases in September 2004. East Side Charter School has not yet reimbursed the Division of Accounting for the months of October 2004 through April 2005.

***EXCESSIVE SPENDING LIMITS***

The SuperCard coordinator has a monthly spending limit of \$30,000. From January 2004 through November 2004, the SuperCard coordinator's total purchases were \$13,388 and the highest monthly purchases were \$6,957.

***NONUTILIZATION OF TECHNOLOGY***

East Side Charter School does not utilize PNC's software WORKS to manage the SuperCard program. This software is available to all agencies and divisions to facilitate the effective and efficient management of the SuperCard program.

**CONCLUSION:**

Based on the evidence summarized in the findings section of this document, the Office of Auditor of Accounts concludes that East Side Charter School has not implemented an effective SuperCard internal control system to safeguard the State's assets. As a result, the State is at risk of misappropriation of assets.

**RECOMMENDATION:**

The Office of Auditor of Accounts recommends that the Division of Accounting determine which of the following courses of action should be taken:

1. Terminate East Side Charter School's SuperCard program until East Side Charter School can demonstrate it has effectively implemented an internal control system designed to safeguard the State's assets.
2. Assist East Side Charter School with the implementation of an effective internal control structure to safeguard the State's assets.

The following are recommendations that should be considered for implementation:

- All purchases must be pre-approved. The Executive Director may pre-approve employees' purchases and the Board of Directors should pre-approve the Executive Director's purchases.
- Receipts must be maintained to support all purchases and be subject to management approval. The Board of Directors should approve the Executive Director's receipts.
- Implement segregation of duties. Examples are as follows:
  - Terminate the SuperCard coordinator's use of the SuperCard.
  - Individual responsible for reconciling the SuperCard and preparing the IV document should not approve the reconciliation or IV document.
  - Implement management review function of all work performed in the SuperCard process.
- IV's must be completed and paid on a timely basis as determined by the Division of Accounting.
- Utilization of WORKS to manage the SuperCard program.

**AUDITEE RESPONSE:**

Taking into account the recommendations of the Office of Auditor of Accounts the following procedures will be established:

- PNC software WORKS to manage the SuperCard program.
- Receipts will be turned in within a week of purchase.
- IV's will be processed immediately.
- IV documents and reconciliation will be approved by the Director.
- Only one card will be issued at the School.
- Coordinator's use of card will be terminated.
- Purchases of the Director will be approved by a member of the Board.
- Small purchases will be done with petty cash accompanied with receipts.

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## SUPERCARD INTERNAL CONTROL STRENGTHS - DAS

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The following internal control strengths for the SuperCard process were identified.

#	STRENGTH	DIVISION/ SECTION	TYPE OF CONTROL
1	Application requires signatures of employee, his/her Supervisor, and Senior Fiscal Administrative Officer (Coordinator) and Back-up Coordinator.	Administration Printing & Publishing Fleet Services Facilities Management	Authorization Management Review Segregation of Duties
2	DOA requires signature to release card when issued.	Administration Printing & Publishing Fleet Services Facilities Management	Authorization
3	Card is cancelled upon employee termination/transfer.	Administration Printing & Publishing Fleet Services Facilities Management	Authorization
4	Employee or division representative signs the paper the card is issued on acknowledging receipt of the card.	Administration Printing & Publishing Fleet Services Facilities Management	Authorization
5	Purchase log maintained by cardholder and submitted with receipts and supervisor's signature.	Administration Printing & Publishing Fleet Services Facilities Management	Authorization Management Review
6	IV document and subsequent EX document is uploaded from OMS by Senior Accountant and reviewed/edited by Fiscal Analyst.	Administration Printing & Publishing Fleet Services Facilities Management	Management Review Segregation of Duties

## SUPERCARD INTERNAL CONTROL WEAKNESSES - DAS

The following internal control weaknesses for the SuperCard process were identified:

#	Weakness	Division/Section	Control(s) Needed	Recommendation	Management Response
1	Although DAS's SuperCard policies and procedures are being used, they have not been formally approved by designated officials as required by Chapter II of the State Budget and Accounting Manual.	Administration Printing & Publishing Fleet Services Facilities Management	Policies and Procedures	Obtain approval from the designated officials in order to enforce DAS's SuperCard policies and procedures.	The draft policy was created under the previous Cabinet Secretary and not signed. DAS has chosen to wait the outcome of the proposed reorganization of the Department of Administrative Services to the Office of Management and Budget and Department of State. DAS has also chosen to await the audit findings in order to incorporate recommendations into the final policy before approval.
2	DAS's SuperCard policies and procedures do not address spending limits, restricted MCC codes, or procedure for changing or deleting cardholders as required by the State Budget and Accounting Manual, Page XIV-43. Unguided spending limits exposes the State to potential loss in the event of misuse, regardless of insurance coverage.	Administration Printing & Publishing Fleet Services Facilities Management	Policies and Procedures	Determine the appropriate levels of monthly spending limits for the cardholders and update the SuperCard policies and procedures to reflect the Division's policy on spending limits, MCC codes, and procedures for changing and deleting cardholders.	DAS has included the missing components in the policy.
3	Based on the level of spending the cardholders are incurring, monthly spending limits are set too high exposing the State to a greater potential loss in the event of card theft, loss, or fraud.	Administration Printing & Publishing Fleet Services Facilities Management	Authorization Management Review	The cards' monthly transaction limits should be evaluated and assessed at more conservative levels in order to minimize the State's exposure to loss.	Spending limits will be reviewed quarterly. DAS has included this review in the policy.

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## SUPERCARD INTERNAL CONTROL WEAKNESSES - DAS

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#	Weakness	Division/Section	Control(s) Needed	Recommendation	Management Response
4	There is no formal reconciliation of the receipts to the PNC statement and the PNC statement total, IV from DOA, and Works billing period totals and therefore provides no evidence of a review process.	Administration Printing & Publishing Fleet Services Facilities Management	Reconciliation Authorization Management Review	Perform formal reconciliations with sign-offs and dates of preparer and reviewer to document the work performed.	The reconciliation process has been formalized. DAS has included this reconciliation process in the policy.
5	Monthly reconciliations between PNC bank statements, IVs submitted by DOA, employee purchase logs and receipts are not always performed in a timely manner. Nine reconciliations dating back to September 16, 2004 had not been performed as of April 11, 2005. Timely reconciliations would ensure that any discrepancies identified would be resolved in a timely manner.	Administration Printing & Publishing Fleet Services Facilities Management	Reconciliation	Monthly reconciliations for the SuperCard program be performed no later than thirty days after the billing cycle.	In November 2004, DAS developed a process improvement to ensure IVs are paid and reconciled more timely. DAS has included this process improvement in the policy.
6	Of 240 transactions reviewed, 25 transactions did not have adequate documentation to support purchases made with the SuperCard.	Administration Printing & Publishing Fleet Services Facilities Management	Management Review	We recommend that management ensure all receipts for purchases made with the SuperCard are received and attached to the individual cardholder's credit card statement.	Fleet Services – 4 missing invoices are due to use of card in the governor's car by security personnel who are non-DAS staff. Fleet Services will coordinate the submission of receipts generated by this card. Remaining missing receipts were lost, or no receipt was obtained when an order was placed online. DAS requires cardholders to sign an affidavit verifying purchase when receipts are lost or destroyed. DAS has included this procedure in the policy.

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## SUPERCARD INTERNAL CONTROL WEAKNESSES - DAS

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#	Weakness	Division/Section	Control(s) Needed	Recommendation	Management Response
7	Of 60 transactions reviewed, 22 transactions did not have evidence of supervisory approval for payment.	Administration	Authorization Management Review	We recommend that management provide evidence of approval for payment by signing the invoice before the vendor is contacted.	Two fiscal signatures (authorized signers) will be obtained for payments made in the Business Office. Three transactions were for monthly copier leases and do not require supervisor approval to pay. Two transactions were approved on the log instead of the invoice. One transaction was for a monthly electric bill that does not require supervisor payment approval. DAS has included this authorization and review in the policy.
8	Management has not ensured that accurate cardholder statement reconciliations, along with signed IVs, are completed and attached to the cardholders' monthly PNC statements.	Facilities Management	Documentation Authorization Management Review	We recommend that management ensure that accurate cardholder statement reconciliations are performed and, along with signed IVs, are attached to all individual SuperCard statements.	In November 2004, DAS developed a process improvement to ensure IV's are paid and reconciled more timely. DAS has included this process improvement in the policy.

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## SUPERCARD INTERNAL CONTROL WEAKNESSES - DAS

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#	Weakness	Division/Section	Control(s) Needed	Recommendation	Management Response
9	Out of 240 transactions reviewed, Purchase Orders for 22 transactions were dated after the purchase.	Administration Printing & Publishing Fleet Services Facilities Management	Authorization	We recommend that management ensure all Purchase Orders are approved before the purchase is made.	A process improvement was implemented in September 2004 in which a single purchase order to the Division of Accounting was established for credit card payments. Funds were moved from vendor purchase orders to the single purchase order, giving the appearance of an after-the-fact purchase order.
10	Out of 180 transactions reviewed, 20 did not utilize vendor contracts.	Administration Fleet Services Facilities Management	Authorization	We recommend that management ensure that vendor contracts are utilized when available.	Fleet Services' vehicle towing and repairs charges are for vendors utilized by non-state agencies (local police) due to accidents and breakdowns. Fleet Services' gas charges charged to the card kept in the governor's vehicle are due to security requirements.
11	Out of 240 transactions reviewed, 80 transactions were not paid timely.	Administration Printing & Publishing Fleet Services Facilities Management	Authorization	We recommend that management ensure invoices are paid within 30 days of receipt.	Invoices submitted to the Business Office for payment were delayed due to determination of method of payment. A process improvement was developed by the creation of a database that provides timely access to vendor payment method information.



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## SUPERCARD INTERNAL CONTROL WEAKNESSES - DAS

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#	Weakness	Division/Section	Control(s) Needed	Recommendation	Management Response
12	Out of 180 transactions reviewed, 43 transactions were not traceable to the IV line item, therefore, object coding could not be verified.	Administration Fleet Services Facilities Management	Reconciliation Documentation	We recommend that all documentation created during the IV reconciliation process be retained as supporting documentation.	In January 2005, a process improvement was developed in which every piece of backup to the IV, including logs, invoices and receipts are noted with IV number, billing cycle and processed date. DAS has included this process improvement in the policy.
13	Out of 180 transactions reviewed, purchasing logs for 15 transactions were not approved.	Printing & Publishing Fleet Services Facilities Management	Authorization Management Review	We recommend that management ensure that all purchasing logs are properly reviewed and approved.	DAS Business Office will review all credit card logs for review and approval signatures. DAS has included this procedure in the policy.
14	Out of 240 transactions reviewed, 102 transactions did not have corresponding purchasing logs.	Administration Printing & Publishing Fleet Services Facilities Management	Documentation Authorization Management Review	We recommend that all transactions be documented on purchasing logs, which are then appropriately reviewed and approved.	Transactions for charges made in the Business Office were entered on a spreadsheet. These spreadsheets have been printed, signed with two fiscal signatures, and attached to the corresponding IV's.

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## SUPERCARD INTERNAL CONTROL STRENGTHS - DSCYF

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The following internal control strengths for the SuperCard process were identified.

#	STRENGTH	DIVISION/SECTION	TYPE OF CONTROL
1	Completion of a Travel Request Form approved by the employee's Program Manager or Supervisor, Main Office, and the person responsible for funding is required prior to making travel arrangements.	Family Services Child Mental Health	Authorization
2	All purchases require pre-approval prior to making a purchase. A requisition form is required with approvals from employee's Program Manager or Supervisor, Main Office, and the person responsible for funding.	Family Services Child Mental Health	Authorization
3	Accountant II and Account Specialist will review the monthly statement and match receipts from employees with pre-approval authorizations and items on the statement. She will insure that those items purchased are allowable expenditures.	Family Services Child Mental Health	Reconciliation
4	Terminated cardholders surrender their cards to their Office Managers for destruction. Coordinator goes into Works and deactivates card status.	Family Services Child Mental Health	Segregation of Duties
5	IV reviewed and signed by Senior FAO and FAO.	Family Services Child Mental Health	Management Review

## SUPERCARD INTERNAL CONTROL WEAKNESSES- DSCYF

The following internal control weaknesses for the SuperCard process were identified:

#	WEAKNESS	TYPE OF CONTROL NEEDED	DIVISION/ SECTION	RECOMMENDATION	MANAGEMENT RESPONSE
1	Credit card application does not require formal authorization from employee's supervisor.	Authorization	Family Services Child Mental Health	Employee's supervisor authorize initial request for credit card.	Department's SuperCard application/change policy will be modified to include supervisors signature/approval (i.e. change Procedure #2). We wish to stress that the only purpose of this change will be to secure the supervisor's concurrence that the employee has a business need and should have a card.
2	Card credit limits are not periodically reviewed and assessed based on spending incurred.	Management Review	Family Services Child Mental Health	Periodically analyze cardholders' spending limits to eliminate excessive credit limits.	Supervisor(s) will conduct initial review, using data files provided by Audit. Periodic reviews will then be conducted, the extent dependent on availability of information in usable file formats contingent on the Div. of Accounting supplying the needed files.
3	Internal Policies and Procedures states that credit limits will be set at \$3,000. Current practices do not reflect current card spending limits. Also, the current policy does not address the process for deleting cardholders.	Policies and Procedures	Family Services Child Mental Health	Internal Policies and Procedures be revised to include current card spending limits and the process for deleting cardholders.	Limits will be set as appropriate for business need, based on supervisory input, and historical spending patterns of employees with similar job functions/ requirements. Supercard Procedure document will be updated to reflect this process. Deletion process will be included after it is finalized. (See Weakness #4.)

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## SUPERCARD INTERNAL CONTROL WEAKNESSES - DSCYF

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#	WEAKNESS	TYPE OF CONTROL NEEDED	DIVISION/ SECTION	RECOMMENDATION	MANAGEMENT RESPONSE
4	An Employee with active SuperCard status in Family Services terminated employment on 7/24/04; however, the Employee's active status was not deactivated in Works until 8/26/04. This occurred because the termination report generated by Human Resources is not provided to the Agency Coordinator. In addition, this report is not provided to Child Mental Health.	Authorization Management Review	Family Services Child Mental Health	HR periodically notify the Agency Coordinator when employees leave to ensure that terminated employees have their SuperCard access deactivated in Works.	We have consulted with the HR unit and they will provide to Fiscal Services every two weeks a list of staff who have terminated, retired, are out on extended leave (such as FMLA) and staff who have transferred out of the Department. Fiscal Services will then terminate cards (in the case of employees separating their employment with DSCYF) or place cards in a "null" or un-useable status for employees out on extended leave.
5	None of the 37 transactions reviewed contained purchase logs as required by DSCYF SuperCard Policy for Family Services.  None of the 60 transactions reviewed contained purchase logs as required by DSCYF SuperCard Policy for Child Mental Health.	Policies and Procedures	Family Services Child Mental Health	Purchase Logs be required in accordance with DSCYF SuperCard Policy.	Recommend that requirements for Purchase Logs be deleted from Departmental Policies & Procedures. It is viewed as redundant. Current departmental requisition & reconciliation processes meet existing control requirements.

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## SUPERCARD INTERNAL CONTROL WEAKNESSES - DSCYF

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#	WEAKNESS	TYPE OF CONTROL NEEDED	DIVISION/ SECTION	RECOMMENDATION	MANAGEMENT RESPONSE
6	5 of 37 transactions reviewed did not contain adequate supporting documentation. Support for 3 transactions was later provided, however, it was not obtained by the Accountant II during the reconciliation process.	Management Review Authorization	Family Services	Adequate documentation be obtained and maintained to support SuperCard expenditures.	Fiscal staff will receive training relative to the need for appropriate and adequate documentation.
7	SuperCard Applications do not contain signature of the Division Card Coordinator as required by the DSCYF SuperCard Policy.	Policies and Procedures	Child Mental Health	SuperCard applications be signed by the Division Card Coordinator in accordance with DSCYF SuperCard Policy.	Policy will be changed. Division coordinators, and back-up coordinators, will be authorized to sign SuperCard applications.
8	The IV for the August 2004 SuperCard payment (available 9/17/04) was not processed until November 9, 2004.	Reconciliation	Child Mental Health	Monthly reconciliations and IV payments should be completed no later than 30 days after the billing cycle.	Divisional staff will receive training relative to the need for appropriate and adequate documentation (requisitions, receipts) to be sent to Fiscal Office timely. It should be noted that the IV in question was held up pending receipts. A new policy is now in place (formal letter to cardholder) to ensure prompt submission of required documentation.
9	The Senior Fiscal Office and Fiscal Office sign and approve the IV. The reconciliation is attached to the IV, however a management review is not completed.	Management Review	Family Services Child Mental Health	The Senior Fiscal Officer or Fiscal Officer should review the Accountant II and Accountant Specialist PNC statement and receipts in detail and should spot check the remaining reconciliations for accuracy and completeness.	Supervisor(s) will be trained to spot check & approve transactions on an appropriate basis.

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## SUPERCARD INTERNAL CONTROL STRENGTHS – DHSS PUBLIC HEALTH

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The following internal control strengths for the SuperCard process were identified.

#	STRENGTH	DIVISION/ SECTION	TYPE OF CONTROL
1	Application requires signatures of employee, his/her Supervisor, DPH Section Chief, Senior Fiscal Administrative Officer, and the Chief of Administration.	Public Health	Authorization Management Review
2	DOA requires signature to release card when issued.	Public Health	Authorization
3	Card is cancelled upon employee termination/transfer.	Public Health	Authorization
4	Divisional Agreement and Authorization Form signed by employee and Senior FAO acknowledging receipt of the division's internal control policy.	Public Health	Authorization
5	Memo of PNC SuperCard Restrictions is signed by employee when card is signed out the first time.	Public Health	Authorization
6	Transactions are pre-approved via travel vouchers and e-mail approval of Chief of Administration for purchases.	Public Health	Authorization
7	Receipts, PNC statements, and IV are reconciled monthly by the Coordinator and reviewed by the Senior Fiscal Administrative Officer.	Public Health	Reconciliation Management Review

## SUPERCARD INTERNAL CONTROL WEAKNESSES – DHSS PUBLIC HEALTH

The following internal control weaknesses for the SuperCard process were identified:

#	Weakness	Division/Section	Control(s) Needed	Recommendation	Management Response
1	SuperCard policies and procedures do not address spending limits or the IV payment process as required by the State Budget and Accounting Manual, Page XIV-42 and 43. Unguided spending limits exposes the State to potential loss in the event of misuse, regardless of insurance coverage.	Public Health	Policies and Procedures	Determine the appropriate levels of monthly spending limits for the cardholders and update the SuperCard policies and procedures to reflect the Division's policy on spending limits. The policy should also be revised to detail the IV payment process.	Division of Public Health (DPH) has revised the Division's SuperCard policy to require all spending limits to be set to null until a purchase or travel is approved. At that time the card limit will be increased to the whole number amount closest to the approved use amount. After use the card limit will return to "0". The IV payment process detail is found in the Division IV payment process. NOTE: spending limits were assigned by the DOA initially.
2	Senior Accountant provides the IV coding to Accounting Specialist to input into DFMS. Either the Senior Accountant or the Senior Fiscal Administrative Officer then approves the coding, resulting in a lack of segregation of duties.	Public Health	Segregation of Duties	Senior FAO approve the IV coding to ensure proper segregation of duties.	The audit occurred when the Sr. FAO position was vacant. The Sr. Accountant will no longer code the IV/EX. This will now be completed by an Account Specialist. This will leave room for both the Sr. FAO and Sr. Accountant to sign and approve all documents.
3	Based on the level of spending the cardholders are incurring, monthly spending limits are set too high exposing the State to a greater potential loss in the event of card theft, loss, or fraud.	Public Health	Authorization Management Review	The cards' monthly transaction limits should be evaluated and assessed at more conservative levels in order to minimize the State's exposure to loss.	DPH has changed the policy to move all cards to "0" and adjust the spending limit when an approved purchase or travel occurs.

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## SUPERCARD INTERNAL CONTROL WEAKNESSES – DHSS PUBLIC HEALTH

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#	Weakness	Division/Section	Control(s) Needed	Recommendation	Management Response
4	The Distribution Log Book format is not the same as Attachment C in DHSS SuperCard Internal Control Policy. The “Date Due Back” column is omitted, therefore, the coordinator is unable to verify if the card was returned timely.	Public Health	Authorization Management Review	The Distribution Log Book should be formatted to agree with DHSS SuperCard Internal Control Policy. The policy of returning the card within one day of return from travel or use should be enforced.	The log format is consistent. The policy of returning cards has also changed. Individuals will maintain their cards with a null value, no longer requiring them to return their cards after travel or use.
5	Of 60 transactions reviewed, 13 transactions did not have evidence of supervisory approval via purchase logs.	Public Health	Authorization Management Review	Management provide evidence of a formal review of each SuperCard transaction by signing the cardholder's purchase log.	A signature line for the supervisor's signature has been added to the purchase log.



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## SUPERCARD INTERNAL CONTROL STRENGTHS – DHSS MANAGEMENT SERVICES

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The following internal control strengths for the SuperCard process were identified.

#	STRENGTH	DIVISION/ SECTION	TYPE OF CONTROL
1	Application requires signatures of employee, his/her Supervisor, Coordinator, Back-up Coordinator, DHSS Controller, and Director.	Management Services	Authorization Management Review
2	DOA requires signature to release card when issued.	Management Services	Authorization
3	Card is cancelled and destroyed by the Accounts Payable Section upon employee termination/transfer.	Management Services	Authorization Segregation of Duties
4	Back-up Coordinator will review the monthly statement and match receipts from employees with items on the statement. Coordinator will insure that those items purchased are allowable expenditures.	Management Services	Reconciliation

## SUPERCARD INTERNAL CONTROL WEAKNESSES – DHSS MANAGEMENT SERVICES

The following internal control weaknesses for the SuperCard process were identified:

#	Weakness	Division/Section	Control(s) Needed	Recommendation	Management Response
1	SuperCard policies and procedures do not address the restricted MCC codes as required by the State Budget and Accounting Manual, Page XIV-43.	Management Services	Policies and Procedures	The policy should be revised to reflect the Division's policy on MCC codes.	The policy is under review and changes will be implemented by August 31, 2005.
2	Based on the level of spending the cardholders are incurring, monthly spending limits are set too high exposing the State to a greater potential loss in the event of card theft, loss, or fraud.	Management Services	Authorization Management Review	The cards' monthly transaction limits should be evaluated and assessed at more conservative levels in order to minimize the State's exposure to loss.	A revised policy will require periodic spending limits reviews.
3	Of 60 transactions reviewed, 55 transactions did not have evidence of a formal pre-approval process as required by the Division's SuperCard Policy.	Management Services	Authorization	Management provide evidence of a formal pre-approval process of each SuperCard Transaction in accordance with the division's policy.	All approvals will be obtained in accordance with the revised policy.
4	There is no evidence that a review of the billing reconciliation has been performed.	Management Services	Management Review	Upon review of the monthly reconciliation, the approving authority should include a signature and date reviewed.	Billing reconciliations will be reviewed, dated, and signed by the approving authority.
5	IV documents recoding SuperCard transactions to the proper appropriations and object codes do not contain Buying Agency Authorization as required by the State Budget and Accounting Manual, Chapter VII-12.	Management Services	Authorization	We recommend the IV documents contain a formal authorization of the authorized signer on file with the Division of Accounting.	All SuperCard IV'S will be signed by the approving authority.

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## SUPERCARD INTERNAL CONTROL STRENGTHS – DHSS SOCIAL SERVICES

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The following internal control strengths for the SuperCard process were identified.

#	STRENGTH	DIVISION/ SECTION	TYPE OF CONTROL
1	Supervisor sends an e-mail request to the SuperCard Coordinator requesting an employee receive a SuperCard. The Coordinator reviews and verifies information on the application supplied by the applicant. Coordinator completes application and signs. Back-up Coordinator performs review of application and signs. Accounting Unit Supervisor meets with the applicant to explain the SuperCard Internal Control Policy. Applicant and Accounting Unit Supervisor sign the DSS Policy Employee Agreement Form. Business Manager reviews application and signs the DSS Policy Employee Agreement Form.	Social Services	Authorization Management Review
2	Majority of cardholders have null profile set by Coordinator. Cards remain null until approval by Division Director. Upon completion of a trip, the cardholder's profile is returned to null. Coordinator sets individual spending limits based on estimated cost of the approved travel request.	Social Services	Authorization
3	Card is deactivated and destroyed by the DSS Coordinator upon employee termination/transfer.	Social Services	Authorization Segregation of Duties
4	When making a purchase over the counter or by telephone, the employee must enter purchases on the Purchase Log and receipts must be provided to the Back-Up Coordinator.	Social Services	Management Review
5	Completion of a travel request form approved by the employee's supervisor and Director is required prior to making travel arrangements.	Social Services	Authorization Management Review
6	Receipts, PNC statements, and IV are reconciled monthly by the Back-Up Coordinator and reviewed by the Senior Fiscal Administrative Officer.	Social Services	Reconciliation Management Review

## SUPERCARD INTERNAL CONTROL WEAKNESSES – DHSS SOCIAL SERVICES

The following internal control weaknesses for the SuperCard process were identified:

#	Weakness	Division/Section	Control(s) Needed	Recommendation	Management Response
1	SuperCard policies and procedures do not address the restricted MCC codes as required by the State Budget and Accounting Manual, Page XIV-43.	Social Services	Policies and Procedures	The policy should be revised to reflect the Division's policy on MCC codes.	DSS will revise the SuperCard and Travel policies to include the listing of restricted MCC codes. The anticipated completion date is September 30, 2005.
2	Based on the level of spending the cardholders are incurring, monthly spending limits are set too high exposing the State to a greater potential loss in the event of card theft, loss, or fraud.	Social Services	Authorization Management Review	The cards' monthly transaction limits should be evaluated and assessed at more conservative levels in order to minimize the State's exposure to loss.	DSS staff will evaluate monthly spending trends (over a 3 month period) of persons with access to the purchasing portion of the SuperCard to set their monthly transaction limits at a level to limit the State's exposure to greater loss due to theft or fraud.
3	Of 38 transactions reviewed, 32 transactions did not have evidence of supervisory approval via purchase logs.	Social Services	Authorization Management Review	Management provide evidence of a formal review of each SuperCard transaction by signing the cardholder's purchase log. SuperCard internal control policies and procedures be revised to include that purchasing logs contain formal supervisory approval.	DSS will revise the SuperCard internal control policy to require supervisory approval via the purchase logs.

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## SUPERCARD INTERNAL CONTROL WEAKNESSES – DHSS SOCIAL SERVICES

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#	Weakness	Division/Section	Control(s) Needed	Recommendation	Management Response
4	Monthly reconciliations between PNC bank statements, IVs submitted by DOA, employee purchase logs and receipts are not always performed in a timely manner. Timely reconciliations would ensure that any discrepancies identified would be resolved in a timely manner.	Social Services	Reconciliation	Monthly reconciliations for the SuperCard program be performed no later than thirty days after the billing cycle.	Procedures have been implemented to ensure the timely completion of the monthly reconciliation.

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## SUPERCARD INTERNAL CONTROL STRENGTHS - DHSS MEDICAL EXAMINER

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The following internal control strengths for the SuperCard process were identified.

#	STRENGTH	DIVISION/ SECTION	TYPE OF CONTROL
1	All purchases require an internal Purchase Order form with approvals of supervisor and OCME prior to making a purchase.	Medical Examiner	Authorization
2	Completion of a travel request form approved by the employee's supervisor and Director is required prior to making travel arrangements.	Medical Examiner	Authorization

## SUPERCARD INTERNAL CONTROL WEAKNESSES – DHSS MEDICAL EXAMINER

The following internal control weaknesses for the SuperCard process were identified:

#	Weakness	Division/Section	Control(s) Needed	Recommendation	Management Response
1	SuperCard policies and procedures do not address the restricted MCC codes as required by the State Budget and Accounting Manual, Page XIV-43.	Medical Examiner	Policies and Procedures	The policy should be revised to reflect the Division's policy on MCC codes.	The policy is under review and changes will be implemented by September 30, 2005.
2	Two of three applications reviewed did not contain the signature of the Deputy Principal Assistant. In addition, Agreement and Authorization forms could not be located for the applications reviewed.	Medical Examiner	Authorization	Completed applications be signed and authorized in accordance with the Office of the Chief Medical Examiner's SuperCard Internal Control Procedures and signed Agreement and Authorization forms be on file for inspection.	The authorization forms and release forms will be updated, signed and filed appropriately.
3	SuperCards for two terminated individuals were not deactivated in a timely manner. One employee was terminated 7/27/04 and had an active card status until January 2005. The Coordinator was using this card under the direction of the Division of Accounting. The other employee was terminated 7/24/04 and had an active card status until May 2005.	Medical Examiner	Authorization	SuperCards of terminated employees should be deactivated immediately.	All SuperCard holders who have been terminated will be deactivated immediately.

## SUPERCARD INTERNAL CONTROL WEAKNESSES – DHSS MEDICAL EXAMINER

#	Weakness	Division/Section	Control(s) Needed	Recommendation	Management Response
4	The Coordinator performs all functions of the SuperCard program including: being a cardholder, overseeing the application process, administering Works, ensuring all receipts are turned in, reviewing the PNC bill, researching discrepancies, insuring items purchased are allowable expenditures, and deactivating cards of terminated employees.	Medical Examiner	Segregation of Duties	Implementation of adequate segregation of duties in the administration of the SuperCard program. Designate a Back-up Coordinator who is not a cardholder to obtain receipts and perform the monthly reconciliation. Coordinator could then review the reconciliation for accuracy.	The Administrative Accountant is currently the only fiscal person in the Office of Medical Examiner. Steps are being taken to address the issue of segregation of duties.
5	Based on the level of spending the cardholders are incurring, monthly spending limits are set too high exposing the State to a greater potential loss in the event of card theft, loss, or fraud.	Medical Examiner	Authorization Management Review	The cards' monthly transaction limits should be evaluated and assessed at more conservative levels in order to minimize the State's exposure to loss.	The cards have been evaluated and corrected as suggested. A revised policy will require periodic spending limit reviews.
6	There is no evidence that a review of the billing reconciliation has been performed.	Medical Examiner	Management Review	Upon review of the monthly reconciliation, the approving authority should include a signature and date reviewed.	The OME will perform billing reconciliations which are reviewed, dated, and signed by the approving authority.
7	Monthly reconciliations between PNC bank statements, IVs submitted by DOA, employee purchase logs and receipts are not always performed in a timely manner. Timely reconciliations would ensure that any discrepancies identified would be resolved in a timely manner.	Medical Examiner	Reconciliation	Monthly reconciliations for the SuperCard program be performed no later than thirty days after the billing cycle.	The OME will perform timely reconciliations to ensure that any discrepancies are resolved in a timely manner.